



INTERNAL AUDIT SUBSTANTIVE TESTING CASH AND INVENTORY COUNTS

June 2, 2003

Roanoke City Council Audit Committee
Roanoke, Virginia

We have audited cash and inventory in accordance with generally accepted government auditing standards.

BACKGROUND

The City of Roanoke maintains significant inventory balances as well as large and small sums of cash on hand at various locations. Enterprise fund inventories at June 30, 2002 amounted to \$1,553,817. Additionally, \$151,501 of inventory was maintained by internal service funds at June 30, 2002. The Sewage Treatment Plant maintains approximately \$934,000 in inventory for repairs and maintenance on the sewage treatment and water purification plants. The inventory at the Sewage Treatment Plant is maintained on a computer system. The Plant is in the process of converting the inventory into a bar coding system. Additionally, Fleet Management maintains approximately \$110,000 in parts inventory for the repair and maintenance of the City's fleet. The fleet inventory is maintained with a computerized bar coding system.

The City Treasurer is responsible for collecting monies for the City. City code requires that each department deposit funds collected by noon of the next business day with the City Treasurer on a collection report. The Treasurer also handles walk in traffic from the general public to pay any amounts owed to the City, such as taxes and fees. The monies are transacted through computerized cash registers that are balanced between 2:00 p.m. and 4:00 p.m. each day. Each register in the Treasurer's office maintains a \$100 starting change fund in addition to the amounts collected during the day. Approximately \$800 to \$1,000 of cash is maintained in the Treasurer's office for a change fund.

The Occupational Health Clinic maintains a cash fund for the Prescription Refund Program. This program allows employees and other individuals covered by the City's medical insurance plan to receive a refund up to \$5 for any prescription written by the Occupational Health Clinic. The fund has a maximum starting balance of \$500, and is replenished when the fund reaches \$200. A refund log and cash reconciliation is used in conjunction with hand written receipts to maintain accountability over the funds.

A small cash fund is maintained at the Carvin's Cove boat landing to make change for boating and hiking fees collected from patrons. Both fees have a \$50 change fund. Receipts are issued and recorded on a collections log to maintain accountability for the

funds. Each day, amounts in excess of \$50 for each fee are submitted to the Treasurer's office on a collections report.

The Civic Center box office maintains a cash starting fund of \$11,000 for the box office and concession stands. This fund is made up of the cash on hand for change, bad checks on hand, or petty cash vouchers. The starting fund is used to reimburse the Civic Center's revolving fund for bad checks received by the Civic Center. The box office staff then begins collection efforts to re-coupe the cash. The petty cash vouchers include a form explaining the nature of the expense as well as a receipt to support the transaction. Additionally, the value for certain Festival in the Park buttons available for sale to the public is also included in the starting fund balance.

PURPOSE

The purpose of this audit was to:

- Verify that recorded cash and inventory balances exist.

SCOPE

The scope of this audit will include cash held at the City Treasurer's office, Civic Center, Occupational Health, and Carvin's Cove. Inventory held at the Sewage Treatment Plant and Fleet Management were also observed. The cash and inventory was subject to inspection between April 7, 2003 and May 8, 2003.

METHODOLOGY

We conducted scheduled and surprise visits at City locations with inventory and cash on-hand to verify that reported quantities existed. We gained an understanding of the procedures in place at the departments through interviews and observation of personnel. We physically observed the cash and inventory on hand and agreed the observed amounts to department records.

RESULTS

We conducted surprise cash counts at the City Treasurer's office, Occupational Health, Carvin's Cove, and the Civic Center box office. Our review of cash on hand at City locations revealed that cash was fully accounted for at all locations observed. We conducted random inventory verifications at the Sewage Treatment Plant and Fleet Management. We noted only minor discrepancies at the Sewage Treatment Plant. Several discrepancies were identified at Fleet Management and were attributed to a faulty scanner used by employees to record inventory transactions. The faulty scanner was identified by Fleet Management prior to our inventory observation and returned to the vendor for repair. Fleet will take a complete physical inventory the week of June 23, 2003 to correct any misstatements arising from the faulty scanner. We will be on hand to observe the physical inventory for added assurance that an accurate count is made and the misstatements are corrected.

CONCLUSION

Recorded cash balances exist and are accounted for. Inventory balances at the Sewage Treatment Plant appear materially correct. We are unable to determine the accuracy of Fleet Management's inventory at the time of the initial observation due to the misstatements arising from the faulty scanner.

We would like to thank all departments for their cooperation and assistance during the audit.

Michael J. Tuck, CPA, CGAP
Assistant Municipal Auditor

Drew Harmon, CPA, CIA
Municipal Auditor